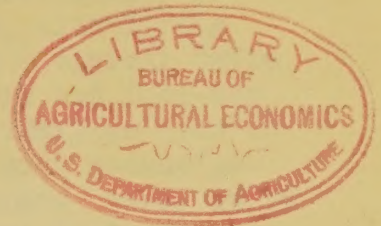


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HOW THE FARM SECURITY ADMINISTRATION
IS HELPING NEEDY FARM FAMILIES



Approximately 3,000,000 American farm families are existing today on abnormally low incomes and at unwholesomely low standards of living. Many are in extreme poverty. Almost 2,000,000 rural families were on relief in 1935; and relatively few of them are better off today.

Both as producers and as consumers, this group of low-income farm people has been forced to retain primitive standards in a modern world. While American industry has adopted turret drills and automatic machine processes, these families have continued to cultivate the land with one-row, horse-drawn equipment and hand tools. While the big commercial farms have adopted highly efficient machinery and modern agricultural methods, most of these 3,000,000 families still use the same farm management patterns which were common a century ago. While the tides of technological progress have swept on across the country, this group has been left to one side in a sort of stagnant eddy. The effects of this poverty and technical inefficiency on the national economy are little realized.

In 1930 the census reports revealed that about 90 percent of the farm products going to market came from 50 percent of the farms. The other half of our farmers were receiving only one-tenth of the gross cash income from agriculture. Since that time, the growth of industrialized farming has continued to squeeze the more poorly equipped farms out of the commercial market.

At the present time, it is probable that nine-tenths of the farm market is supplied by considerably less than half of the nation's farms. Mechanization -- which usually is associated with large-scale, commercialized farming -- has continued at a rapid pace. There were 1,527,989 tractors on American farms on April 1, 1938, more than a third of which had been purchased since 1935. More tractors were sold in 1937 alone than were in use on all American farms in 1920.

As a result, many thousands of tenants and sharecroppers have been forced down to the status of day laborers, with little chance for more than a few months' work a year. On a typical Delta plantation, for example, the introduction of tractors and four-row cultivators reduces the necessary number of tenant families from 40 to 24. Other technological improvements, together with mechanization, have greatly decreased the demand for farm labor. Today it is possible for this nation to meet the normal requirements in farm production, both domestic and foreign, with 1,600,000 fewer workers than in 1929.

In the face of this declining demand for farm labor, the farm population is still growing faster than any other group. The annual increase in the working farm population is now about 445,000 persons. In the past, most of these people would have sought work in the cities, or would have opened up new lands on the frontier. Today the majority of them have no alternative but to join the army of migratory farm laborers, already swollen far beyond normal needs by the families forced off the land by drought and mechanization.

To make matters worse, the largest increase in population is taking place in the areas with the least economic opportunity. The 400 counties with the lowest living standards are the very ones with the fastest growth of population.

In five rural problem areas -- regions with much poor land, low income, and high birth rates -- 15 to 20 percent of the families were on relief in 1934 and 1935, or twice as many as in "normal" areas. Federal aid has amounted in some problem area counties to \$200 for each man, woman, and child. In other rural areas the average is below \$50 per capita.

The cities offer no haven for this huge surplus agricultural population, because labor-saving machinery has been steadily decreasing the demand for industrial workers. By the middle of 1937, industrial employment had recovered to about the 1929 level; but un-employment had increased by about 4,000,000 -- approximately the number of new workers added since 1929. Five years from now, there will be another 5,000,000 new potential workers, nearly half of whom are growing up in farm families.

These problems of surplus population and technological change have been added to a number of less spectacular but even more deeply-rooted maladjustments in our rural economy. For generations the nation's agriculture has been gradually undermined by unsound tenure systems, careless and unscientific tillage practices, widely fluc-

tuating markets, and an appalling wastage of our most important capital asset — the land — through soil erosion. Rural poverty is not an emergency condition, which might be cured automatically by an upturn in the business cycle. Its symptoms were familiar long before the Civil War. For more than a century they compelled the United States to carry on a liberal program of rural relief, under the guise of free land. Until recent times, any farmer who lost his property through foreclosure, or whose acres were exhausted by erosion and one-crop tillage, could move to a new homestead in the west. Today this easy solution is no longer possible. Free land, capable of producing a decent living has disappeared; and we have at last been forced to seek new methods of dealing with the problem of poverty among farm people.

The low income and low living standards of the bottom third of our farm population has shut them out of our productive economy — excluded them as effectively as if they were in another nation. Since they lack the essential capital equipment in adequate land and tools, they are necessarily unproductive. They contribute few goods and services, and they are able to buy only the barest necessities. They represent an untapped potential market, far more important than most Americans realize.

The last census disclosed that even in "prosperous " 1929, about 1,682,000 farms reported a gross income of less than \$600 — and that figure includes all farm operating expenses, and all food-stuffs raised for home consumption. A more recent study by the National Resources Committee indicated that in 1936 more than 1,690,000 farm families had an average income of less than \$500 a year; and nearly half of these families had incomes of less than \$250 a year. In other words, about 4,000,000 farm people were trying to eke out an existence on an average income of about \$1 a week.

The sub-standard living conditions which a large share of our farm population must endure inevitably means bad health — which imposes heavy costs on the national economy. Malaria, which is largely due to lack of window screens to keep out mosquitoes, takes a tremendous toll of labor efficiency, particularly in the South. When a family is so poor that it cannot even afford an outdoor privy, the probability of hookworm infection is extremely high. In one rural county in the South, the Farm Security Administration recently found that about 60 percent of the school children had hookworm disease.

In view of the fact that one child out of every ten comes from the 3,000,000 farm families in the lowest income group, the health menace to the national manpower of the next generation is apparent. It is all the more serious, since few families in this group can afford adequate medical care.

It is hardly surprising that the 3,000,000 neediest farm families are consuming very few industrial products. The extent of their underconsumption is indicated by the fact that in 1934 more than 25 percent of all American farm homes lacked window screens; more than a third were unpainted; and an additional 30 percent needed repainting. More than 70 percent of our farm homes lacked a kitchen sink with a drain, and only one out of every ten had an indoor toilet. In the South nearly one-fifth of the farm homes did not even have an outdoor privy.

If farm homes could be brought up to the American standard of living -- or even to the minimum standards of health and decency -- the building industry would enjoy boom conditions for many years to come. Even in 1929, about 1,500,000 tenant families were living in houses valued at less than \$475; and in the South, half of all farm owners were living in homes worth less than \$560. Competent engineers have estimated that it would cost approximately \$3,500,000,000 to put our inadequate farm structures in good repair.

A recent study of the purchase of cotton textiles gives an even better indication of underconsumption among low-income farm families. It disclosed that the average housewife spends \$6.94 a year for cotton wearing apparel; but if the family's income is less than \$500 a year, her purchases of cotton declines by nearly one-half. The average husband spends \$12.02 annually for cotton clothing; but his expenditures for this commodity falls by more than half, if the family income is below \$500. Cotton household items, such as sheets and towels, cost the average family \$6.88 a year; but for the income class below \$500, this expenditure falls to \$1.64.

The survey also indicated that if family incomes could be raised to a minimum of \$1,500 a year, purchases of this kind of cotton goods would increase by about \$208,000,000 annually. Of this sum, about \$110,000,000 would go into manufacturing, \$70,000,000 into transportation, and \$25,000,000 into raw cotton. Comparable increases, of course, might be expected in the consumption of other necessities. The survey gives only a hint of the spurt in industrial profits and employment which might be expected if this low income group could even approach the American standard of living.

There is no single, simple answer to the problem of rural poverty. Industrial recovery would provide an outlet for some of the surplus population which is piling up on the farm; but it would have to go far beyond the 1929 level of activity and absorb millions of urban unemployed, before migration to the cities could be resumed on the old scale. Some way may be found to provide a badly needed expansion of the service employments — particularly education and health — in the rural areas. A housing program to clear out rural slums may develop in the wake of the urban housing movement, as it has in other countries. A stimulation of industry in rural areas, coupled with subsistence farming, might provide a partial solution.

Against this background of insecurity, destitution and poverty, the Farm Security Administration is conducting a series of programs designed to increase the security and future prospects of many farm people. By far the most extensive in scope is the rehabilitation loan program, which has proved very effective, and which involves a relatively small cost to the taxpayer.

Rehabilitation. Since 1935 the Farm Security Administration has been making small loans — averaging from \$100 to \$800 each — to needy farm families, to enable them to get a new start on the land. Ordinarily such loans are just large enough to finance the purchase of the seed, livestock, and equipment necessary to carry on farming operations. They are repayable over a period of from one to ten years at 5 percent interest.

The government takes a chattel mortgage on all goods purchased with a rehabilitation loan, and on any other possessions the borrower may have. As an additional protection for its investment, FSA provides technical advice and guidance in sound farming methods to every borrower, to make sure that every penny of the money is used to the best advantage. Each loan is based on a farm and home management plan, carefully worked out by the borrowing family and the FSA county supervisor. Such a plan is the best possible guarantee that the family will become permanently self-supporting, and that the government's investment will be repaid.

Since this program was started five years ago, the Farm Security Administration has loaned more than \$385,000,000 to 800,000 needy farm families — many of whom were once on relief. Judged by normal standards, these families were the worst possible credit risks, since none of them could obtain adequate credit from any other

source. Already however, they have repaid more than \$132,000,000 into the Federal treasury, although much of the money will not be due for several years. It is estimated that approximately 80 percent of the funds loaned eventually will be repaid with interest. The losses are largely concentrated in areas of the Great Plains which have suffered several years of severe drought.

The annual net cost of the rehabilitation loan program -- including all losses and expenses of administration -- amounts to less than \$75 for each family aided. This is without doubt the lowest cost to the taxpayer of any kind of help for needy families.

Moreover, rehabilitation differs fundamentally from all other types of aid, because its whole purpose is to help needy families escape the relief rolls and become self-supporting. It has proved eminently successful in achieving this goal. Although the normal period of rehabilitation is five years, and the program has been in operation for only four, more than 110,000 families already have paid off their loans in full and "graduated" into a self-supporting status.

The remaining families have made surprising gains in their net worth, standards of living, and capacity for self-support. At the end of the 1939 crop year, a survey was made to determine the progress of the 360,015 active standard borrowers. This survey disclosed that they had increased their net worth -- over and above all debts, including their obligations to the government -- by a total of \$82,954,656 since they first obtained loans. This was an average increase of \$230.42 per family.

At the same time, these borrowers had greatly increased their production of food for home consumption. The average family had increased the amount of fruit and vegetables which it canned from 51 quarts annually to 242 quarts; and its production of milk for home use rose from 99 gallons a year to 448 gallons. Comparable gains were reported in the production of meat and eggs for home use.

This increased production does not mean competition with other agricultural areas, because virtually all of the additional food-stuffs were consumed on the farms which produced them. It does mean better diet and better health for the needy and handicapped families which are taking part in this program. In many cases, rehabilitation borrowers are actually decreasing their production of surplus crops, because they are turning part of their land from cash-cropping to subsistence farming.

The gains in living standards and purchasing power which have been made by Farm Security Administration borrowers have naturally resulted in greater prosperity for the nearby communities. The extent to which local merchants and businessmen appreciate this fact is indicated by a letter which we recently received from Fayette, Mississippi. It is signed by 73 bankers, plantation owners, merchants, contractors, and professional men of Jefferson County, Mississippi, and it reads, in part:

"During the past three years we have seen the program grow from 50 clients at the beginning of 1936 to nearly 400 at the present time. We have observed the fact that very few families have been closed out during that period and that substantial progress has been made by the majority of those on the program. We have seen these families improve their standard of living from year to year through the use of a 'Live-at-home' program. We have observed them buying pressure cookers and fruit jars to carry out this phase of the program, and later have seen the results therefrom. We have observed the fact that every encouragement is given that the children of these families attend school with adequate books and clothing. We have observed that a medical association has been set up in the county which insures adequate medical treatment for each family. We have observed that the morale of these families improves from year to year as they progress under the guidance and supervision of your local representatives. All of these things impress us strongly because, as a whole, they benefit the entire county and the results being obtained are apparent.

"Naturally we, as business men and tax payers, are vitally interested in any program which directly affects so many families in our county, and indirectly affects the entire county. We, therefore, wish to express to your conference our unqualified endorsement of the program in this county and our wish that it could be broadened to include hundreds of other low-income farmers who need this service and have not yet been able to obtain it.

"We commend the personnel of your county unit here for their splendid work with these families as evidenced by the progress the families are making and their confidence in, and regard for the local administration. We commend further the fine and courteous spirit of cooperation which exists between the local personnel and the citizens and business men of this county.

"Our conclusion, therefore, is that the effects of F.S.A. aid to low-income farmers in this county has been most beneficial and we are asking for more of it."

The rehabilitation work can no longer be called an experimental program. It is an effective, thoroughly tested instrument. It has demonstrated that the neediest farm families can be restored to a self-supporting, independent status. Many thousands of them -- which once were a burden on the national economy -- already have become productive members of the community. Their newly-created purchasing power is exerting a far-reaching influence on our entire economic machine.

So far, however, the rehabilitation program has never been large enough to reach more than a fraction of the nation's most handicapped and impoverished farm people. FSA field employees recently reported that they personally knew of nearly 400,000 families which were eligible and in urgent need of rehabilitation loans, but could not obtain them because the money was not available. Undoubtedly, there are thousands of additional families in equal need, which have not applied for FSA help because they knew that applicants already were being turned away. A large percentage of this group already is dependent to some extent on relief, or is in danger of being forced onto the relief rolls in the near future.

There is another phase of rehabilitation, known as the community-service and cooperative-loan program. This is nothing more than a simple adaptation of the rehabilitation loan to a group or a community. Usually, it has been used to meet a specific need which has become obvious in a community or among a neighborhood group of low-income farmers. In some areas, however, it is developing toward community planning, with loans based upon a broad survey of needs, similar to that in the farm and home plans of individuals.

When several rehabilitation borrowers living in one community need a piece of heavy machinery, or a purebred sire, or other service which no one of them can afford alone, the Administration often makes them a special community-service loan to finance the purchase.

The importance of this program is emphasized by recent developments in American agriculture. The increased use of modern machinery, good livestock, and expert management is resulting in the growth of huge "outdoor food factories," often owned by corporations, which can produce more efficiently than small farmers using hand labor or obsolete tools and methods. In some areas the small farmers are losing out, for lack of equipment which no one small farm can support. But when a group of small farmers get together to buy and use modern machinery and purebred sires, they usually are able to compete on more even terms with the large-scale commercial farms.

The purchase of such equipment for community use is generally arranged in one of two ways -- whichever the community prefers. Either the farmers form an association to buy and handle the new service, borrowing individually to contribute to the purchase price; or one farmer can borrow the money, and all the others sign an agreement to use the service at a stipulated price, which will enable the master borrower to repay the loan.

Since the beginning of the program, 77 different types of services have been established through such community and cooperative loans. Of the 13,109 services established, 32 percent were for sire services, 43.8 percent were for machinery and equipment services, 22.4 percent were for miscellaneous services, such as home canning equipment, storage facilities, and hatcheries, and 1.8 percent were for the establishment of group medical services. These loans involved approximately \$8,666,335 and are serving 291,446 families. In addition, 2,474 services, benefitting 21,362 families, were established without the use of Farm Security funds, through advice and help of Administration employees. The estimated value of these services was \$614,927.

Homesteads. Sometimes it has been impossible to rehabilitate needy farm people by making loans to enable them to continue operations on the same farm. Many families had become stranded in worn-out farming areas, cut-over forests, or exhausted mining communities. They could never make a decent living where they were; they had no money with which to make a new start on better land.

In some areas a single farm family, operating a forty or fifty acre tract, cannot afford to use the most modern and efficient farming methods. Its acreage may not be large enough to justify the use of a tractor or other heavy machinery; pure-bred sires may be too expensive for its small herds of livestock.

As a result the small, individual farm is being gradually displaced in these areas by giant mechanized farms -- "outdoor food factories," functioning with all the impersonal efficiency of a steel mill. Often they are operated, not by a self-reliant farm family, but by a corporation hiring a swarm of wandering seasonal laborers. They are built, not around the traditional farm home, but around a tool shed crowded with tractors and gang plows. Such mechanized farms already have taken over wide stretches of the wheat belt. They are steadily spreading in the fruit and vegetable areas of the West Coast. With the development of increasingly efficient cotton-cultivating machinery, they are beginning to take root in the South.

The small farmer, operating the old-fashioned forty acres and a mule, could not hope to survive for long in areas where this kind of large-scale, mechanized farming is more efficient. If a number of small farmers band together, however, they can take advantage of these modern, large-scale methods -- and at the same time preserve the traditional values of independent farm ownership.

This is what is behind the rural communities operated under the homestead program. The plan itself is simple: the Government buys good land, builds inexpensive but adequate homes and outbuildings, and gives the settlers advice on the best farming methods. In some cases the residents rent their new farms; in other cases they buy them outright, spreading their payments over a 40-year period. The Government will be paid back most of the money it has invested. Many of the projects, in other words, are virtually self-liquidating.

The rural communities under this program vary widely, according to geographical location and former economic status of the participating farmers. Typically, however, a rural community will consist of a number of farm homes clustered together with their own school, store, and sometimes other community facilities, such as a cotton gin. In most of these communities each family makes its living by full-time farming. In others, the farms are small and provide only part of the families' livelihood. Various trades and industries, either on the project or nearby furnish the rest.

But there are other areas in which small, individual farms are still able to compete economically, and in these cases the government has found it less costly to re-establish handicapped farm families on scattered farms than in a single community. These projects are known as scattered farmsteads, and are generally established in rural areas where schools, stores, and other facilities already are adequate. In most cases the government merely repaired existing buildings and fences, arranged for the relocated family to buy or rent the farm on reasonable terms, and provided advice on sound farming practices.

In addition to rural communities and scattered farmsteads, a few projects are a combination of the two types, with the community project acting as the headquarters for the rehabilitation of farmers in nearby areas.

The Farm Security Administration has thus helped about 15,700 families -- or more than 75,000 men, women, and children -- to establish new homes on land capable of producing a decent living. They are getting a new start on 164 projects, located in all but eight states.

In its program of resettling these families, the Farm Security Administration has sought to demonstrate better patterns of farming and rural community life. Each community project generally offers either an improved relationship between the farmer and the land, or the recognized advantages of community organization, and sometimes a combination of the two. Thus, in addition to the relief which these projects bring to poverty-stricken farmers in their localities, they are to some extent experimental, looking toward improvement in the economic and social life of rural America.

Tenant Purchase Loans. The rapid increase in farm tenancy in this country during the last fifty years has made essential some program to counteract this trend. Today nearly 3,000,000 families, or over 40 percent of all American farm families, are tenants, and 40,000 are added to this number every year. If this trend is not checked in the very near future, there is grave doubt whether this nation's traditional system of family-size farms can long survive.

Three years ago Congress took the first step towards a remedy by passing the Bankhead-Jones Farm Tenant Act. Under this legislation, the Farm Security Administration has made loans to nearly 13,000 tenant families to enable them to purchase land of their own. Congress decided that this program should be started on a cautious, experimental basis, providing appropriations of \$10,000,000 for the

first year, \$25,000,000 for the second, and \$40,000,000 for the third year. For the fourth year, ending June 30, 1941, \$50,000,000 for such loans has been advanced from Reconstruction Finance Corporation funds, rather than by direct appropriation.

Every one of these loans is secured by a first mortgage on real estate, conservatively valued both by government appraisers and by a county committee of three farmers who are thoroughly familiar with conditions in their locality. The loans are repayable over a 40-year period at three percent interest. This means that in a great majority of cases the annual installments, plus taxes and insurance, amount to less than formerly was paid in rent for the same farm.

As a further protection for the government's investment, every borrower must be approved by a committee of local farmers, which investigates each applicant for a loan, inquires carefully into his character, and appraises his ability to make a success of a family-size farming enterprise. Loans are made only to American citizens, preferably with families, and additional preference is given to applicants who can make a down payment or who own the livestock and equipment necessary for operating a farm. As in the case of the rehabilitation loans, advice on sound farming methods and economical home management is given by local Farm Security Administration experts.

During the 1939-40 fiscal year, although applications were accepted in only about 1,300 counties, more than 133,000 requests were received for the 6,971 loans which could be made. This means that an average of 20 families applied for each prospective loan during this fiscal year. Moreover, almost 148,000 applications were received during the two previous years, and many of these must be reconsidered along with the current applications.

Migratory Labor Camps. Of all the difficulties connected with American agriculture, none has so caught the public imagination as the problem of migratory farm labor. Widespread drought, increasing mechanization and declining markets have combined to make a decent living seem an impossible goal to millions of rural people. Many of these uprooted families, forced off their own land by man-made or natural disaster, have taken to the road in search of work.

A great part of the "migrant problem" lies back in the areas from which the wanderers have come. The measures which the Farm Security Administration is taking to increase security of tenure and to help farmers climb to individual ownership are an attack on the migrant problem at its source. But there remains the immediate distress of the thousands of wandering farm families; and it is recognized that if mechanized farming is not to be abandoned entirely, a large group of migrants must continue to follow the crops. These people need decent shelter, better routing into areas where jobs can be found, some chance to educate their children, and if possible steadier and more localized employment.

The Farm Security migratory labor camps were set up to provide temporary shelter and essential sanitary facilities for the families following seasonal farm work. The camps contain tent platforms or small shelters with sanitary units comprising shower baths, sanitary toilets, and a laundry room. They also have an isolation unit for contagious diseases, a nursery, first-aid room, child clinic, an office and living quarters for the camp manager, and a utility building.

More recently, some of the camps have been provided with a limited number of permanent homes, for such workers as can find fairly continuous employment in the neighborhood. These homes are equipped with gardens which enable the occupants to supplement their income by raising some of their own foodstuffs. Moreover, designs have been worked out for small mobile camps, which can be moved by truck from one area to another as the migrant families follow the crops. Some of these are already in operation.

At the end of the fiscal year ending June 30, 1940, the Farm Security Administration had in operation 3,522 tent platforms, 4,328 shelters, and 833 labor homes. In addition, it had under construction 1,445 tent platforms, 2,040 shelters, and 336 labor homes.

When the present program is completed, migratory labor camps will provide facilities for 12,504 families at any one time. These will be divided among 37 stationary and 16 mobile camps located in seven states — California, Oregon, Washington, Idaho, Arizona, Texas, and Florida.

Medical Care. In the struggle of thousands of low-income families, poor health has retarded their efforts to better their conditions. Adverse conditions, in turn, have made it difficult, if not impossible, for them to protect their health, and hundreds of families have foregone necessary medical treatment because they have been unable to afford the cost.

The Farm Security Administration has helped local doctors organize medical care associations for Farm Security borrowers who previously were without adequate medical services. By joining their county association, these low-income farm families are able to get the personal attention of a doctor of their choice for an annual fee well within their ability to pay. Fees are usually pooled into a fund from which monthly payments are made to doctors for their services.

Nearly 70,000 families, or about 300,000 persons, have joined 432 local medical care associations in 30 states and are now receiving long-needed treatment and care.

Debt Adjustment. To help heavily-burdened farmers reduce some of their debt load, the Farm Security Administration has undertaken to organize small groups of local farmers, businessmen and townspeople as voluntary farm debt adjustment committees before which debtors and creditors can bring their problems. With the help of these committees, debtors are able to reach amicable settlements with their creditors, with the result that large debts which would otherwise be "frozen assets" to the creditor are scaled down to a size which the debtor can pay.

Altogether local adjustment committees have enabled 125,000 low-income farm debtors to reduce their indebtedness by \$91,000,000, and as a result to pay \$5,075,000 in back taxes to local governmental agencies. Such debt reduction in many instances has taken place in connection with the making of rehabilitation loans.

Tenure Improvement. The Farm Security Administration makes available to all farmers, whether or not they are already borrowers on the program, a model, flexible lease form which replaces the vague, oral agreements with the landlord under which most low-income tenant farmers operate. Thousands of tenants have achieved a greater security of tenure, as a result of improving the understanding between themselves and their landlords. The direct effect of such an improvement is often seen in the care given the physical properties, including the soil, house and outbuildings. Farmers with long-time, well-defined leases have a stake in the properties which they operate, and consequently use them conservatively and carefully. Landlords, too, are more likely to make permanent improvements on the farmstead if the tenants can be counted on to remain and work out farm plans over a period of more than one or two years.

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